

**IOWA VALLEY COMMUNITY SCHOOL DISTRICT
MARENGO, IOWA**

**INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS**

JUNE 30, 2012

TABLE OF CONTENTS

	Page
OFFICIALS	4
INDEPENDENT AUDITOR’S REPORT	5-6
BASIC FINANCIAL STATEMENTS	
Exhibit	
District-Wide Financial Statements:	
A Statement of Net Assets	8-9
B Statement of Activities	10-13
Governmental Fund Financial Statements:	
C Balance Sheet	14-15
D Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Assets	16
E Statement of Revenues, Expenditures and Changes in Fund Balances	17-18
F Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities	19
Proprietary Fund Financial Statements:	
G Statement of Net Assets	20
H Statement of Revenues, Expenses and Changes in Net Assets	21
I Statement of Cash Flows	22-23
Fiduciary Fund Financial Statements:	
J Statement of Fiduciary Net Assets	24
K Statement of Changes in Fiduciary Net Assets	25
Notes to Financial Statements	26-40
REQUIRED SUPPLEMENTARY INFORMATION:	
Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances – Budget and Actual – All Governmental Funds and Proprietary Fund	42
Notes to Required Supplementary Information – Budgetary Reporting	43
Schedule of Funding Progress for the Retiree Health Plan	44
SUPPLEMENTARY INFORMATION:	
Schedule	
Nonmajor Governmental Funds:	
1 Combining Balance Sheet	46
2 Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	47
Capital Projects Accounts:	
3 Combining Balance Sheet	48
4 Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	49
5 Schedule of Changes in Special Revenue Fund, Student Activity Accounts	50-51
6 Schedule of Changes in Fiduciary Assets and Liabilities – Agency Fund	52
7 Schedule of Revenues by Source and Expenditures by Function – All Governmental Funds	54-55

TABLE OF CONTENTS
(continued)

	Page
INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	56-57
SCHEDULE OF FINDINGS	58-62

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>Board of Education</u>		
(Before September 2011 election)		
Jane Fry	President	2013
Dennis Roberts	Vice President	2011
Mark Swift	Board Member	2011
Frank Davis	Board Member	2013
Dale Slaymaker	Board Member	2013
(After September 2011 election)		
Jane Fry	President	2013
Dale Slaymaker	Vice President	2013
Frank Davis	Board Member	2013
Mark Swift	Board Member	2015
Scott Hardy	Board Member (Resigned September 26, 2011)	
Brad Patterson	Board Member (Appointed October 24, 2011)	2015
<u>School Officials</u>		
Alan Jensen	Superintendent	2013
Lynda K. Johnson	District Secretary/ Treasurer (Resigned October 1, 2011)	
Janet Grafft	District Secretary/ Treasurer (Appointed October 1, 2011)	2012
Harned & McMeen	Attorney	2012
Gruhn Law Firm	Attorney	2012

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of
Iowa Valley Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Iowa Valley Community School District, Iowa, as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Iowa Valley Community School District at June 30, 2012, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated November 30, 2012 on our consideration of Iowa Valley Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, and contracts. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The budgetary Comparison Information and Schedule of Funding Progress for the Retiree Health Plan on pages 42 through 44 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures to the required supplementary information in accordance with U. S. generally accepted auditing standards, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The District has not presented management's discussion and analysis which introduces the basic financial statements by presenting certain financial information as well as management's analytical insights on that information that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Iowa Valley Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the seven years ended June 30, 2011 (which are not presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 7 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of District management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Oskaloosa, Iowa
November 30, 2012

Basic Financial Statements

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS

June 30, 2012

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and pooled investments	\$ 4,343,212	\$ 21,371	\$ 4,364,583
Receivables:			
Property tax:			
Current year	25,299	-	25,299
Succeeding year	2,052,526	-	2,052,526
Income surtax	378,042	-	378,042
Internal balances (note 3)	34,672	(34,672)	-
Accounts	111,034	-	111,034
Due from other governments	109,405	-	109,405
Inventories	-	8,426	8,426
Prepaid expenses	7,275	-	7,275
Capital assets, net of accumulated depreciation (note 5)	5,128,936	24,920	5,153,856
Total assets	12,190,401	20,045	12,210,446
Liabilities			
Accounts payable	532,045	52	532,097
Salaries and benefits payable	612,319	17,892	630,211
Due to other governments	53,443	-	53,443
Accrued interest payable	1,843	-	1,843
Deferred revenue:			
Succeeding year property tax	2,052,526	-	2,052,526
Other	37,991	5,641	43,632
Long-term liabilities (note 6):			
Portion due within one year:			
Early retirement	8,325	-	8,325
Bonds payable	345,000	-	345,000
Portion due after one year:			
Early retirement	8,775	-	8,775
Bonds payable	1,425,000	-	1,425,000
Net OPEB liability	21,100	-	21,100
Total liabilities	5,098,367	23,585	5,121,952

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS

June 30, 2012

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
Net Assets			
Invested in capital assets, net of related debt	\$ 3,358,936	\$ 24,920	\$ 3,383,856
Restricted for:			
Categorical funding	469,476	-	469,476
Management levy purposes	1,740	-	1,740
Physical plant and equipment levy purposes	294,566	-	294,566
Student activities	137,559	-	137,559
Debt service	5,072	-	5,072
Capital projects	748,685	-	748,685
Unrestricted	<u>2,076,000</u>	<u>(28,460)</u>	<u>2,047,540</u>
Total net assets	<u>\$ 7,092,034</u>	<u>\$ (3,540)</u>	<u>\$ 7,088,494</u>

See notes to financial statements.

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

Year Ended June 30, 2012

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants, Contributions and Restricted Interest
Governmental Activities:			
Instruction	\$ 4,194,662	\$ 430,279	\$ 776,425
Support services:			
Student services	70,312	-	5,484
Instructional staff services	183,319	-	36,913
Administration services	616,809	-	-
Operation and maintenance of plant services	438,702	-	879
Transportation services	204,305	-	352
	1,513,447	-	43,628
Non-instructional programs	5,327	-	-
Other expenditures:			
Facilities acquisition	47,238	-	-
Long-term debt interest and fiscal charges	112,231	-	-
AEA flowthrough	230,080	-	230,080
Depreciation (unallocated) *	149,546	-	-
	539,095	-	230,080
Total governmental activities	6,252,531	430,279	1,050,133

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
\$ (2,987,958)	\$ -	(2,987,958)
(64,828)	-	(64,828)
(146,406)	-	(146,406)
(616,809)	-	(616,809)
(437,823)	-	(437,823)
(203,953)	-	(203,953)
(1,469,819)	-	(1,469,819)
(5,327)	-	(5,327)
(47,238)	-	(47,238)
(112,231)	-	(112,231)
-	-	-
(149,546)	-	(149,546)
(309,015)	-	(309,015)
(4,772,119)	-	(4,772,119)

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

Year Ended June 30, 2012

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants, Contributions and Restricted Interest
Business-Type Activities:			
Support services:			
Food service operations	\$ 10,185	\$ -	\$ -
Non-instructional programs:			
Food service operations	276,295	136,050	132,237
Other enterprise operations	13,936	18,083	-
	<u>290,231</u>	<u>154,133</u>	<u>132,237</u>
Total business-type activities	<u>300,416</u>	<u>154,133</u>	<u>132,237</u>
Total	\$ 6,552,947	\$ 584,412	\$ 1,182,370

General revenues:

Property tax levied for:
 General purposes
 Debt service
 Capital outlay
Income surtax
Statewide sales, services and use tax
Unrestricted state and federal grants
Unrestricted investment earnings
Other

Total general revenues

Change in net assets

Net assets beginning of year

Net assets end of year

* = This amount excludes the depreciation included
in the direct expenses of the various programs.

See notes to financial statements.

Net (Expense) Revenue
and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
<hr/>		
\$ -	\$ (10,185)	\$ (10,185)
	(8,008)	(8,008)
-	4,147	4,147
	(3,861)	(3,861)
<hr/>		
-	(14,046)	(14,046)
<hr/>		
(4,772,119)	(14,046)	(4,786,165)
<hr/>		
\$ 2,042,903	\$ -	\$ 2,042,903
88,277	-	88,277
20,834	-	20,834
394,728	-	394,728
508,538	-	508,538
2,942,460	-	2,942,460
4,867	2	4,869
104,125	-	104,125
<hr/>		
6,106,732	2	6,106,734
<hr/>		
1,334,613	(14,044)	1,320,569
<hr/>		
5,757,421	10,504	5,767,925
<hr/>		
\$ 7,092,034	\$ (3,540)	\$ 7,088,494
<hr/>		

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2012

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
Assets					
Cash and pooled investments	\$ 3,122,703	\$ 12,525	\$ 1,028,965	\$ 171,575	\$ 4,335,768
Receivables:					
Property tax:					
Current year	23,640	1,000	245	414	25,299
Succeeding year	1,539,534	210,642	62,350	240,000	2,052,526
Income surtax	226,825	-	151,217	-	378,042
Interfund receivable (note 3)	34,672	-	-	-	34,672
Accounts	109,136	-	-	-	109,136
Due from other governments	29,000	-	80,405	-	109,405
Prepaid expenses	7,275	-	-	-	7,275
	<hr/>				
Total assets	<u>\$ 5,092,785</u>	<u>\$ 224,167</u>	<u>\$ 1,323,182</u>	<u>\$ 411,989</u>	<u>\$ 7,052,123</u>

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2012

	General	Debt Service	Capital Projects	Nonmajor	Total
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 297,972	\$ 6,610	\$ 217,581	\$ 9,882	\$ 532,045
Salaries and benefits payable	606,611	-	-	5,708	612,319
Due to other governments	53,443	-	-	-	53,443
Deferred revenue:					
Succeeding year property tax	1,539,534	210,642	62,350	240,000	2,052,526
Other	264,816	-	151,217	-	416,033
Total liabilities	<u>2,762,376</u>	<u>217,252</u>	<u>431,148</u>	<u>255,590</u>	<u>3,666,366</u>
Fund balances:					
Nonspendable:					
Prepaid expenses	7,275	-	-	-	7,275
Restricted for:					
Categorical funding (note 11)	469,476	-	-	-	469,476
Local grants	29,064	-	-	-	29,064
Debt service	-	6,915	-	-	6,915
Management levy purposes	-	-	-	18,840	18,840
Student activities	-	-	-	137,559	137,559
School infrastructure	-	-	748,685	-	748,685
Physical plant and equipment	-	-	143,349	-	143,349
Assigned:					
Instructional activities	36,029	-	-	-	36,029
Unassigned	1,788,565	-	-	-	1,788,565
Total fund balances	<u>2,330,409</u>	<u>6,915</u>	<u>892,034</u>	<u>156,399</u>	<u>3,385,757</u>
Total liabilities and fund balances	<u>\$ 5,092,785</u>	<u>\$ 224,167</u>	<u>\$ 1,323,182</u>	<u>\$ 411,989</u>	<u>\$ 7,052,123</u>

See notes to financial statements.

IOWA VALLEY COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 June 30, 2012

Total fund balances of governmental funds	\$ 3,385,757
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
The balance of the Internal Service Fund, reported as a proprietary fund, is included in the government-wide statements because of the relationship of the internal transactions to the government as a whole.	9,342
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	5,128,936
Other long-term assets, including income surtax receivable, are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	378,042
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(1,843)
Long-term liabilities, including bonds payable, compensated absences, and net OPEB liability, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(1,808,200)</u>
Net assets of governmental activities	<u>\$ 7,092,034</u>
See notes to financial statements.	

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2012

	General	Debt Service	Capital Projects	Nonmajor	Total
Revenues:					
Local sources:					
Local tax	\$ 2,249,831	\$ 88,277	\$ 691,265	\$ 35,911	\$ 3,065,284
Tuition	228,370	-	-	-	228,370
Other	122,819	-	1,318	189,032	313,169
State sources	3,627,089	-	-	-	3,627,089
Federal sources	360,443	-	-	-	360,443
Total revenues	6,588,552	88,277	692,583	224,943	7,594,355
Expenditures:					
Current:					
Instruction	3,969,998	-	-	292,653	4,262,651
Support services:					
Student services	70,227	-	-	85	70,312
Instructional staff services	131,821	-	51,499	-	183,320
Administration services	599,600	263	552	11,694	612,109
Operation and maintenance of plant services	392,619	-	-	38,336	430,955
Transportation services	175,473	-	3,376	9,578	188,427
	1,369,740	263	55,427	59,693	1,485,123
Non-instructional programs	-	-	-	5,250	5,250
Other expenditures:					
Facilities acquisition	-	-	332,247	-	332,247
Long term debt:					
Principal	-	1,910,000	-	-	1,910,000
Interest and fiscal charges	-	116,618	-	-	116,618
AEA flowthrough	230,080	-	-	-	230,080
	230,080	2,026,618	332,247	-	2,588,945
Total expenditures	5,569,818	2,026,881	387,674	357,596	8,341,969
Excess (deficiency) of revenues over (under) expenditures	1,018,734	(1,938,604)	304,909	(132,653)	(747,614)

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2012

	General	Debt Service	Capital Projects	Nonmajor	Total
Other financing sources (uses):					
Sale of equipment	\$ 2,794	\$ -	\$ -	\$ -	\$ 2,794
Interfund transfers in (note 4)	-	172,000	-	-	172,000
Interfund transfers out (note 4)	-	-	(172,000)	-	(172,000)
General obligation bonds issued	-	1,770,000	-	-	1,770,000
Total other financing sources (uses)	2,794	1,942,000	(172,000)	-	1,772,794
Net change in fund balances	1,021,528	3,396	132,909	(132,653)	1,025,180
Fund balances beginning of year	1,308,881	3,519	759,125	289,052	2,360,577
Fund balances end of year	\$ 2,330,409	\$ 6,915	\$ 892,034	\$ 156,399	\$ 3,385,757

See notes to financial statements.

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2012

Net change in fund balances - total governmental funds \$ 1,025,180

Amounts reported for governmental activities in the Statement of Activities
are different because:

The change in balance of the Internal Service Fund represents an overcharge to the governmental funds for services rendered and is therefore included in the government-wide statements as an adjustment to expenses. 3,060

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Expenditures for capital assets	\$ 302,796	
Depreciation expense	<u>(194,853)</u>	107,943

Income surtax revenue not received until several months after the District's fiscal year end is not considered available revenue and is deferred in the governmental funds. It is, however, recorded as revenue in the Statement of Activities. (10,005)

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds but issuing debt increases long-term liabilities in the Statement of Net Assets and does not affect the Statement of Activities. (1,770,000)

Repayment of long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets. 1,910,000

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. 4,387

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Early retirement	68,548	
Net OPEB liability	<u>(4,500)</u>	<u>64,048</u>

Change in net assets of governmental activities \$ 1,334,613

See notes to financial statements.

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS
 June 30, 2012

	Enterprise Funds			Internal Service Fund
	School Nutrition	Other Enterprise	Total	Flex 125 Plan
Assets				
Cash and cash equivalents	\$ 21,371	\$ -	\$ 21,371	\$ 7,444
Receivables:				
Accounts	-	-	-	1,898
Inventories	8,426	-	8,426	-
Capital assets, net of accumulated depreciation (note 5)	24,920	-	24,920	-
Total assets	<u>54,717</u>	<u>-</u>	<u>54,717</u>	<u>9,342</u>
Liabilities				
Accounts payable	-	52	52	-
Interfund payable (note 3)	-	34,672	34,672	-
Salaries and benefits payable	15,696	2,196	17,892	-
Deferred revenue	5,641	-	5,641	-
Total liabilities	<u>21,337</u>	<u>36,920</u>	<u>58,257</u>	<u>-</u>
Net Assets				
Invested in capital assets	24,920	-	24,920	-
Unrestricted	<u>8,460</u>	<u>(36,920)</u>	<u>(28,460)</u>	<u>9,342</u>
Total net assets	<u>\$ 33,380</u>	<u>\$ (36,920)</u>	<u>\$ (3,540)</u>	<u>\$ 9,342</u>

See notes to financial statements.

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
 PROPRIETARY FUNDS
 Year Ended June 30, 2012

	Enterprise Funds			Internal Service Fund
	School Nutrition	Other Enterprise	Total	Flex 125 Plan
Operating revenues:				
Local sources:				
Charges for services	\$ 136,050	\$ 18,083	\$ 154,133	\$ 24,112
Operating expenses:				
Support services:				
Salaries	110	-	110	-
Benefits	17	-	17	-
Purchased services	7,614	-	7,614	21,054
Supplies	207	-	207	-
Other	2,237	-	2,237	-
	<u>10,185</u>	<u>-</u>	<u>10,185</u>	<u>21,054</u>
Non-instructional programs:				
Salaries	79,649	11,000	90,649	-
Benefits	41,254	1,668	42,922	-
Supplies	151,872	1,268	153,140	-
Depreciation	3,520	-	3,520	-
	<u>276,295</u>	<u>13,936</u>	<u>290,231</u>	<u>-</u>
Total expenses	<u>286,480</u>	<u>13,936</u>	<u>300,416</u>	<u>21,054</u>
Operating income (loss)	(150,430)	4,147	(146,283)	3,058
Non-operating revenues:				
Interest on investments	2	-	2	2
State sources	4,139	-	4,139	-
Federal sources	128,098	-	128,098	-
Total non-operating revenues	<u>132,239</u>	<u>-</u>	<u>132,239</u>	<u>2</u>
Change in net assets	(18,191)	4,147	(14,044)	3,060
Net assets beginning of year	<u>51,571</u>	<u>(41,067)</u>	<u>10,504</u>	<u>6,282</u>
Net assets end of year	<u>\$ 33,380</u>	<u>\$ (36,920)</u>	<u>\$ (3,540)</u>	<u>\$ 9,342</u>

See notes to financial statements.

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2012

	Enterprise Funds			Internal Service Fund
	School Nutrition	Other Enterprise	Total	Flex 125 Plan
Cash flows from operating activities:				
Cash received from sale of lunches and breakfasts	\$ 138,952	\$ -	\$ 138,952	\$ -
Cash received from miscellaneous operating activities	413	21,000	21,413	22,214
Cash payments to employees for services	(120,703)	(12,052)	(132,755)	-
Cash payments to suppliers for goods or services	(138,590)	(1,216)	(139,806)	(21,054)
Net cash provided by (used by) operating activities	(119,928)	7,732	(112,196)	1,160
Cash flows from non-capital financing activities:				
(Decrease) in due to other funds	-	(7,732)	(7,732)	-
State grants received	4,139	-	4,139	-
Federal grants received	108,049	-	108,049	-
Net cash provided by (used by) non-capital financing activities	112,188	(7,732)	104,456	-
Cash flows from capital and related financing activities:				
Purchase of equipment	(550)	-	(550)	-
Cash flows from investing activities:				
Interest on investments	2	-	2	2
Net increase (decrease) in cash and cash equivalents	(8,288)	-	(8,288)	1,162
Cash and cash equivalents beginning of year	29,659	-	29,659	6,282
Cash and cash equivalents end of year	\$ 21,371	\$ -	\$ 21,371	\$ 7,444

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2012

	Enterprise Funds			Internal Service Fund
	School Nutrition	Other Enterprise	Total	Flex 125 Plan
Reconciliation of operating income (loss) to net cash provided by (used by) operating activities:				
Operating income (loss)	\$ (150,430)	\$ 4,147	\$ (146,283)	\$ 3,058
Adjustments to reconcile operating income (loss) to net cash provided by (used by) operating activities:				
Depreciation	3,520	-	3,520	-
Commodities used	20,049	-	20,049	-
Decrease (increase) in accounts receivable	-	2,917	2,917	(1,898)
Decrease in inventories	3,291	-	3,291	-
Increase in salaries and benefits payable	327	616	943	-
Increase in accounts payable	-	52	52	-
Increase in deferred revenue	3,315	-	3,315	-
Net cash provided by (used by) operating activities	\$ <u>(119,928)</u>	\$ <u>7,732</u>	\$ <u>(112,196)</u>	\$ <u>1,160</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2012, the District received \$20,049 of federal commodities.

See notes to financial statements.

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 June 30, 2012

	Private Purpose Trust	
	<u>Scholarship</u>	<u>Agency</u>
Assets:		
Cash and pooled investments	\$ <u>4,188</u>	\$ <u>34,371</u>
Liabilities:		
Accounts payable	-	3,733
Due to other organizations	<u>-</u>	<u>30,638</u>
Total liabilities	<u>-</u>	<u>34,371</u>
Net assets:		
Reserved for scholarships	\$ <u><u>4,188</u></u>	\$ <u><u>-</u></u>

See notes to financial statements.

IOWA VALLEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
Year Ended June 30, 2012

	Private Purpose Trust
	<u>Scholarship</u>
Additions:	
Local sources:	
Gifts and contributions	\$ 8,000
Interest	<u>453</u>
Total additions	<u>8,453</u>
Deductions:	
Support services:	
Scholarships awarded	<u>11,300</u>
Change in net assets	(2,847)
Net assets beginning of year	<u>7,035</u>
Net assets end of year	<u>\$ 4,188</u>
See notes to financial statements.	

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 1. Summary of Significant Accounting Policies

Iowa Valley Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Marengo, Iowa, and agricultural territory in Iowa County. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Iowa Valley Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on, the District. Iowa Valley Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations – The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Iowa County Assessor's Conference Board.

B. Basis of Presentation

District-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt attributable to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the District-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds. Combining schedules are also included for the Capital Projects Fund accounts.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Debt Service Fund is used to account for property tax and other revenues to be used for the payment of interest and principal on the District's general long-term debt.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

The District reports the following major proprietary fund:

The Enterprise, School Nutrition Fund is used to account for the food service operations of the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements with restrictions of income earned to be used to benefit individuals through scholarship awards.

The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operations.

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting

The District-wide financial statements and the proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

The proprietary funds of the District apply all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting (continued)

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust, which is valued at amortized cost, and non-negotiable certificates of deposit, which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Current year property tax receivable represents unpaid taxes from the current year. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the District-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

The property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2010 assessed property valuations; is for the tax accrual period July 1, 2011 through June 30, 2012 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2011.

Interfund Receivables/Payables – Certain transactions occur between funds in the normal course of District business. These transactions are shown as interfund receivables and payables to the extent that such transactions have not been repaid by year end.

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Due From Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets – Capital assets, which include property, furniture, and equipment, are reported in the applicable governmental or business-type activities columns in the District-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 2,500
Buildings	50,000
Improvements other than buildings	50,000
Intangibles	25,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	2,500

Capital assets are depreciated using the straight line method of depreciation over the following estimated useful lives:

Asset Class	Estimated Useful Lives
Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-20 years

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collectible within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds, the succeeding year property tax receivable and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of the succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Salaries and Benefits Payable – Payroll and related expenses for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Long-term Liabilities – In the District-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation. A liability is recorded when incurred in the District-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The District had no compensated absences liability at June 30, 2012.

Fund Equity – In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Assigned – Amounts the Board of Education intends to use for specific purposes.

Unassigned – All amounts not included in the preceding classifications.

Restricted Net Assets – In the District-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 1. Summary of Significant Accounting Policies (continued)

E. Budgets and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2012, expenditures in the other expenditures function exceeded the amount budgeted.

Note 2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2012 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2012, the District had investments as follows:

	<u>Value</u>
Mutual Funds	\$ 15,045
Iowa Schools Joint Investment Trust - Diversified Portfolio	<u>27,364</u>
	<u>\$ 42,409</u>

The investments in the Iowa Schools Joint Investment Trust are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investments in the Mutual Funds are stated at fair value, determined based on securities traded on a national or international exchange based on the last reported sales price at current exchange rates.

Credit Risk – The investment in the Iowa Schools Joint Investment Trust was rated Aaa by Moody's Investors Service. The investments in the Mutual Fund are not rated.

Note 3. Interfund Receivables/Payables

The detail of the District's interfund receivables and payables at June 30, 2012 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Enterprise Fund, Preschool	\$ <u>34,672</u>

This amount arises due to pooled cash funds.

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 4. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2012 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects	\$ <u>172,000</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 5. Capital Assets

Capital assets activity for the year ended June 30, 2012 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 259,500	\$ -	\$ -	\$ 259,500
Construction in progress	-	285,009	-	285,009
Total capital assets not being depreciated	<u>259,500</u>	<u>285,009</u>	<u>-</u>	<u>544,509</u>
Capital assets being depreciated:				
Buildings	7,553,817	-	-	7,553,817
Improvements other than buildings	345,278	-	-	345,278
Furniture and equipment	855,191	17,787	-	872,978
Total capital assets being depreciated	<u>8,754,286</u>	<u>17,787</u>	<u>-</u>	<u>8,772,073</u>
Less accumulated depreciation for:				
Buildings	3,027,535	143,297	-	3,170,832
Improvements other than buildings	322,434	8,317	-	330,751
Furniture and equipment	642,824	43,239	-	686,063
Total accumulated depreciation	<u>3,992,793</u>	<u>194,853</u>	<u>-</u>	<u>4,187,646</u>
Total capital assets being depreciated, net	<u>4,761,493</u>	<u>(177,066)</u>	<u>-</u>	<u>4,584,427</u>
Governmental activities capital assets, net	<u>\$ 5,020,993</u>	<u>\$ 107,943</u>	<u>\$ -</u>	<u>\$ 5,128,936</u>
Business-type activities:				
Furniture and equipment	\$ 82,183	\$ 550	\$ -	\$ 82,733
Less accumulated depreciation	<u>54,293</u>	<u>3,520</u>	<u>-</u>	<u>57,813</u>
Business-type activities capital assets, net	<u>\$ 27,890</u>	<u>\$ (2,970)</u>	<u>\$ -</u>	<u>\$ 24,920</u>

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 5. Capital Assets (continued)

Depreciation expense was charged by the District to the following functions:

Governmental activities:

Instruction:

Regular

\$ 17,214

Support services:

Administration

4,545

Operation and maintenance of plant services

7,670

Transportation

15,878

45,307

Unallocated depreciation

149,546

Total governmental activities depreciation expense

\$ 194,853

Business-type activities:

Food service operations

\$ 3,520

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 6. Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2012 is as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
Early retirement	\$ 85,648	\$ -	\$ 68,548	\$ 17,100	\$ 8,325
General obligation bonds	1,910,000	1,770,000	1,910,000	1,770,000	345,000
Net OPEB liability	16,600	4,500	-	21,100	-
Total	<u>\$ 2,012,248</u>	<u>\$ 1,774,500</u>	<u>\$ 1,978,548</u>	<u>\$ 1,808,200</u>	<u>\$ 353,325</u>

Early Retirement

The District offered a one-time voluntary early retirement plan to its certified employees for the year ended June 30, 2009. The identical offer was extended for additional years through June 30, 2012. Eligible employees must have completed thirteen years of contracted service to the District and have been at least 55 years old before the fiscal year end.

The early retirement benefit for each eligible employee is equal to a cash payment of 50% of the employee's present year salary excluding any extracurricular salaries, extended contract, and Teacher Quality payments. An employee can also remain on the District's health insurance program as long as they pay the entire monthly premium.

The District offered various plans in prior years as early retirement incentives. Details of these plans are available upon request.

At June 30, 2012, the District has obligations to four participants with a total liability of \$17,100. Actual early retirement expenditures for the year ended June 30, 2012 totaled \$68,548. Early retirement is recorded as a long-term liability of the Governmental Activities in the District-wide financial statements.

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 6. Long-Term Liabilities (continued)

General Obligation Bonds

During the year ended June 30, 2012, the District issued \$1,770,000 in General Obligation School Refunding Bonds. The bonds, dated May 15, 2012, are payable through the year ended June 30, 2020, and have interest rates ranging from .4% to 1.8%.

The proceeds of the General Obligation School Refunding Bonds were to be used to advance refund the General Obligation School Refunding Bonds issued on December 3, 2003. Those bonds had interest rates ranging from 3.55% to 4.30%, were payable through the year ended June 30, 2020, and became callable on June 1, 2012. The refunding of the December 1, 2003 General Obligation Refunding Bonds will result in a total savings of \$212,217 over the next eight years, with an economic savings (net present value) of \$185,120.

Details of the District's June 30, 2012 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2013	0.40 %	\$ 345,000	\$ 16,361	\$ 361,361
2014	0.50	345,000	14,285	359,285
2015	0.70	345,000	12,560	357,560
2016	0.95	150,000	10,145	160,145
2017	1.15	140,000	8,720	148,720
2018	1.40	150,000	7,110	157,110
2019	1.60	150,000	5,010	155,010
2020	1.80	145,000	2,610	147,610
		<u>\$ 1,770,000</u>	<u>\$ 76,801</u>	<u>\$ 1,846,801</u>

Note 7. Other Postemployment Benefits (OPEB)

Plan Description – The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 56 active and 7 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy – The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 7. Other Postemployment Benefits (OPEB) (continued)

Annual OPEB Cost and Net OPEB Obligation – The District’s annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District’s annual OPEB cost for the year ended June 30, 2012, the amount actually contributed to the plan and changes in the District’s net OPEB obligation:

Annual required contribution	\$	36,655
Interest on net OPEB obligation		416
Adjustment to annual required contribution		<u>(2,664)</u>
Annual OPEB cost		34,407
Contributions made		<u>29,907</u>
Increase in net OPEB obligation		4,500
Net OPEB obligation beginning of year		<u>16,600</u>
Net OPEB obligation end of year	\$	<u><u>21,100</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2012.

For the year ended June 30, 2012, the District contributed \$29,907 to the medical plan.

The District’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2012 are summarized as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2012	\$ 34,407	86.9%	\$ 21,100

Funded Status and Funding Progress – As of July 1, 2010, the most recent actuarial valuation date for the period July 1, 2011 through June 30, 2012, the actuarial accrued liability was \$323,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$323,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$3,322,000, and the ratio of the UAAL to covered payroll was 9.7%. As of June 30, 2012, there were no trust fund assets.

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 7. Other Postemployment Benefits (OPEB) (continued)

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2009 actuarial valuation date, the frozen entry age actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%.

Mortality rates are from the 94 Group Annuity Mortality Table, projected to 2000.

The UAAL is being amortized as a level dollar cost over the service of the group on a closed basis over 30 years.

Note 8. Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 5.38% of their annual covered salary and the District is required to contribute 8.07% of annual covered payroll for the year ended June 30, 2012. Contribution requirements are established by State statute. The District's contributions to IPERS for the years ended June 30, 2012, 2011, and 2010 were \$272,232, \$228,728, and \$224,705, respectively, equal to the required contributions for each year.

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 9. Risk Management

Iowa Valley Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 10. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$230,080 for the year ended June 30, 2012 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 11. Categorical Funding

The District's fund balance restricted for categorical funding at June 30, 2012 is comprised of the following programs:

<u>Program</u>	<u>Amount</u>
Returning dropout and dropout prevention	192,247
Gifted and talented program	117,254
Professional development	62,229
Four-year old preschool	43,134
Teacher salary supplement	30,758
At-risk programs	\$ 15,608
Professional development for model core curriculum	7,068
Foster care programs	1,177
Home school assistance program	<u>1</u>
Total	<u>\$ 469,476</u>

Note 12. Construction Commitments

The District has entered into various contracts totaling \$464,525 for athletic field improvements. As of June 30, 2012, costs of \$268,044 had been incurred against the contracts. The balance of \$196,481 remaining at June 30, 2012 will be paid as work on the projects progress.

Note 13. Financial Condition

At June 30, 2012 the Enterprise Fund, Preschool had a deficit unrestricted net assets balance of \$36,920. In addition, the District's business-type activities had a deficit unrestricted net assets balance of \$28,460 at June 30, 2012.

Required Supplementary Information

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances – Budget and Actual – All Governmental Funds and Proprietary Fund

Required Supplementary Information

Year Ended June 30, 2012

	Governmental Funds - Actual	Proprietary Fund - Actual	Total Actual	Budgeted Amounts Original and Final	Final to Actual Variance
REVENUES:					
Local sources	\$ 3,606,823	\$ 154,135	\$ 3,760,958	\$ 3,649,756	\$ 111,202
Intermediate sources	-	-	-	45,000	(45,000)
State sources	3,627,089	4,139	3,631,228	3,751,301	(120,073)
Federal sources	360,443	128,098	488,541	273,000	215,541
Total revenues	7,594,355	286,372	7,880,727	7,719,057	161,670
EXPENDITURES/EXPENSES:					
Instruction	4,262,651	-	4,262,651	4,635,000	372,349
Support services	1,485,123	10,185	1,495,308	1,951,000	455,692
Non-instructional programs	5,250	290,231	295,481	365,000	69,519
Other expenditures	2,588,945	-	2,588,945	1,517,794	(1,071,151)
Total expenditures/expenses	8,341,969	300,416	8,642,385	8,468,794	(173,591)
Excess (deficiency) of revenues over (under) expenditures/ expenses	(747,614)	(14,044)	(761,658)	(749,737)	(11,921)
Other financing sources, net	1,772,794	-	1,772,794	-	1,772,794
Excess (deficiency) of revenues and other financing sources over (under) expenditures/ expenses	1,025,180	(14,044)	1,011,136	(749,737)	1,760,873
Balance beginning of year	2,360,577	10,504	2,371,081	1,313,896	1,057,185
Balance end of year	<u>\$ 3,385,757</u>	<u>\$ (3,540)</u>	<u>\$ 3,382,217</u>	<u>\$ 564,159</u>	<u>\$ 2,818,058</u>

See accompanying independent auditor's report.

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING
Year Ended June 30, 2012

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except internal service, private-purpose trust and agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the accrual basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2012, expenditures in the other expenditures function exceeded the amount budgeted.

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN
(In Thousands)

Required Supplementary Information
Year Ended June 30, 2012

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	\$ -	\$ 376	\$ 376	0.0%	\$ 3,437	10.9%
2011	July 1, 2009	-	350	350	0.0%	3,307	10.6%
2012	July 1, 2009	-	323	323	0.0%	3,322	9.7%

See note 7 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

See accompanying independent auditor's report.

Supplementary Information

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2012

	Special Revenue		
	Management	Student	
	Levy	Activity	Total
Assets			
Cash and pooled investments	\$ 20,226	\$ 151,349	\$ 171,575
Receivables:			
Property tax:			
Current year	414	-	414
Succeeding year	240,000	-	240,000
Total assets	\$ 260,640	\$ 151,349	\$ 411,989
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 1,800	\$ 8,082	\$ 9,882
Salaries and benefits payable	-	5,708	5,708
Deferred revenue:			
Succeeding year property tax	240,000	-	240,000
Total liabilities	241,800	13,790	255,590
Fund balances:			
Restricted for:			
Management levy purposes	18,840	-	18,840
Student activities	-	137,559	137,559
Total fund balances	18,840	137,559	156,399
Total liabilities and fund balances	\$ 260,640	\$ 151,349	\$ 411,989

See accompanying independent auditor's report.

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 Year Ended June 30, 2012

	Special Revenue		
	Management	Student	
	Levy	Activity	Total
Revenues:			
Local sources:			
Local tax	\$ 35,911	\$ -	\$ 35,911
Other	6,623	182,409	189,032
Total revenues	<u>42,534</u>	<u>182,409</u>	<u>224,943</u>
Expenditures:			
Current:			
Instruction	92,767	199,886	292,653
Support services:			
Student services	85	-	85
Administration services	11,289	405	11,694
Operation and maintenance of plant services	38,336	-	38,336
Transportation services	9,578	-	9,578
Non instructional programs	5,250	-	5,250
Total expenditures	<u>157,305</u>	<u>200,291</u>	<u>357,596</u>
Deficiency of revenues under expenditures	(114,771)	(17,882)	(132,653)
Fund balances beginning of year	<u>133,611</u>	<u>155,441</u>	<u>289,052</u>
Fund balances end of year	<u>\$ 18,840</u>	<u>\$ 137,559</u>	<u>\$ 156,399</u>

See accompanying independent auditor's report.

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

 COMBINING BALANCE SHEET
 CAPITAL PROJECTS ACCOUNTS
 June 30, 2012

	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash and pooled investments	\$ 885,861	\$ 143,104	\$ 1,028,965
Receivables:			
Property tax:			
Current year	-	245	245
Succeeding year	-	62,350	62,350
Income surtax	-	151,217	151,217
Due from other governments	80,405	-	80,405
Total assets	\$ 966,266	\$ 356,916	\$ 1,323,182
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 217,581	\$ -	\$ 217,581
Deferred revenue:			
Succeeding year property tax	-	62,350	62,350
Other	-	151,217	151,217
Total liabilities	217,581	213,567	431,148
Fund balances:			
Restricted for:			
School infrastructure	748,685	-	748,685
Physical plant and equipment	-	143,349	143,349
Total fund balances	748,685	143,349	892,034
Total liabilities and fund balances	\$ 966,266	\$ 356,916	\$ 1,323,182

See accompanying independent auditor's report.

IOWA VALLEY COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 CAPITAL PROJECTS ACCOUNTS
 Year Ended June 30, 2012

	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Other Construction Projects	Total
Revenues:				
Local sources:				
Local tax	\$ 508,538	\$ 182,727	\$ -	\$ 691,265
Other	1,015	303	-	1,318
Total revenues	<u>509,553</u>	<u>183,030</u>	<u>-</u>	<u>692,583</u>
Expenditures:				
Current:				
Support services:				
Instructional staff services	51,499	-	-	51,499
Administration services	552	-	-	552
Operation and maintenance of plant				
Transportation services	-	3,376	-	3,376
Other expenditures:				
Facilities acquisition	303,070	29,177	-	332,247
Total expenditures	<u>355,121</u>	<u>32,553</u>	<u>-</u>	<u>387,674</u>
Excess (deficiency) of revenues over (under) expenditures	154,432	150,477	-	304,909
Other financing sources (uses):				
Interfund transfers in	-	2,009	-	2,009
Interfund transfers out	-	(172,000)	(2,009)	(174,009)
Total other financing sources (uses)	<u>-</u>	<u>(169,991)</u>	<u>(2,009)</u>	<u>(172,000)</u>
Net change in fund balances	154,432	(19,514)	(2,009)	132,909
Fund balances beginning of year	<u>594,253</u>	<u>162,863</u>	<u>2,009</u>	<u>759,125</u>
Fund balances end of year	<u>\$ 748,685</u>	<u>\$ 143,349</u>	<u>\$ -</u>	<u>\$ 892,034</u>

See accompanying independent auditor's report.

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
Year Ended June 30, 2012

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
AFS Club	\$ 643	\$ -	\$ -	\$ 643
Annual	2,874	3,437	1,652	4,659
Band	2,234	7,897	6,804	3,327
Choir - Sunshine Inn	535	8,133	7,426	1,242
Class of:				
2008	412	-	-	412
2009	884	-	-	884
2010	599	-	-	599
2011	1,429	15	-	1,444
2012	1,650	572	-	2,222
2013	77	4,294	3,266	1,105
2015	-	200	-	200
Dramatics - Senior High/Junior High	3,687	4,561	4,910	3,338
FCS Club	375	355	409	321
FFA	10,502	26,631	29,858	7,275
Fine Arts Special Projects	15,410	491	265	15,636
Interest Income	8,842	204	801	8,245
IV Baseball Camp	399	951	1,088	262
IV Boys BB Camp	1,128	502	1,082	548
IV Girls BB Camp	48	2,743	3,175	(384)
IV FB/Track Camp	6,980	15,630	12,411	10,199
IV Softball Camp	2,644	2,104	2,849	1,899
IV Girls VB Camp	159	3,030	2,221	968
JH Cheerleaders	132	-	-	132
HS Cheerleaders	2,200	10,572	10,231	2,541
Pep Club	5,006	3,781	4,132	4,655
Playground Project	373	-	-	373
Speech Team	-	495	377	118
Student Council - Elem	3,169	757	275	3,651
Student Council - HS	21,186	4,959	11,169	14,976
TAG - Special Project	4	-	-	4
Tiger's Eye	1,396	-	-	1,396
Tiger Pride Videos	473	-	-	473
Spanish Trip	(28)	11,440	11,409	3
Baseball	(6,174)	1,618	8,566	(13,122)
Basketball - Boys	4,319	4,460	5,164	3,615
Basketball - Girls	1,535	10,389	9,996	1,928
Football	8,643	14,403	13,571	9,475

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
Year Ended June 30, 2012

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Golf - Boys & Girls	\$ 121	\$ 3,226	\$ 2,524	\$ 823
Softball	(6,156)	2,159	2,430	(6,427)
Track - Boys	11,266	3,656	2,573	12,349
Track - Girls	3,007	3,806	4,151	2,662
Volleyball	11,493	8,131	4,928	14,696
Wrestling	12,423	5,745	5,505	12,663
Special Events	19,542	11,062	25,073	5,531
Total	\$ 155,441	\$ 182,409	\$ 200,291	\$ 137,559

See accompanying independent auditor's report.

IOWA VALLEY COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
 AGENCY FUND
 Year Ended June 30, 2012

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Assets				
Cash	\$ 112,879	\$ 52,743	\$ 131,251	\$ 34,371
Liabilities				
Accounts payable	-	3,733	-	3,733
Due to other organizations	112,879	49,010	131,251	30,638
	\$ 112,879	\$ 52,743	\$ 131,251	\$ 34,371

See accompanying independent auditor's report.

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IOWA VALLEY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION

ALL GOVERNMENTAL FUNDS
FOR THE LAST EIGHT YEARS

	Modified Accrual Basis Years Ended June 30,			
	2012	2011	2010	2009
Revenues:				
Local sources:				
Local tax	\$ 3,065,284	\$ 2,871,276	\$ 2,909,926	\$ 2,862,787
Tuition	228,370	180,459	137,108	144,967
Other	313,169	370,570	245,431	331,557
Intermediate sources	-	-	-	-
State sources	3,627,089	3,706,535	3,076,460	3,454,253
Federal sources	360,443	639,280	139,948	167,692
Total revenues	<u>\$ 7,594,355</u>	<u>\$ 7,768,120</u>	<u>\$ 6,508,873</u>	<u>\$ 6,961,256</u>
Expenditures:				
Instruction	\$ 4,262,651	\$ 4,209,453	\$ 4,197,956	\$ 3,954,208
Support services:				
Student services	70,312	108,882	103,449	173,914
Instructional staff services	183,320	109,409	135,641	139,136
Administration services	612,109	555,607	571,429	587,083
Operation and maintenance of plant services	430,955	427,319	452,735	450,607
Transportation services	188,427	171,180	139,114	128,764
Non-instructional programs	5,250	5,250	5,250	4,551
Other expenditures:				
Facilities acquisition	332,247	786,723	405,655	307,315
Long-term debt:				
Principal	1,910,000	175,000	170,000	165,000
Interest and fiscal charges	116,618	80,895	86,115	91,140
AEA flowthrough	230,080	257,542	257,003	229,080
Total expenditures	<u>\$ 8,341,969</u>	<u>\$ 6,887,260</u>	<u>\$ 6,524,347</u>	<u>\$ 6,230,798</u>

See accompanying independent auditor's report.

	2008	2007	2006	2005
\$	2,885,059	\$ 2,672,973	\$ 2,260,877	\$ 1,999,518
	104,244	159,160	127,401	133,010
	196,782	445,902	347,904	307,765
	2,446	-	-	-
	3,333,862	3,145,971	3,140,564	2,906,807
	142,668	138,600	151,901	154,165
\$	<u>6,665,061</u>	<u>6,562,606</u>	<u>6,028,647</u>	<u>5,501,265</u>
\$	3,682,576	\$ 3,960,891	\$ 3,967,370	\$ 3,685,635
	131,993	198,377	192,850	196,432
	148,739	144,168	86,402	216,939
	666,380	658,850	649,443	580,017
	441,493	431,878	436,270	407,681
	141,463	232,534	204,699	150,272
	4,204	4,604	16,078	21,568
	78,732	228,212	75,276	5,261
	160,000	155,000	155,000	155,000
	95,465	100,115	104,765	109,415
	215,770	203,803	198,574	189,855
\$	<u>5,766,815</u>	<u>6,318,432</u>	<u>6,086,727</u>	<u>5,718,075</u>

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS

To the Board of Education of
Iowa Valley Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Iowa Valley Community School District as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated November 30, 2012. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

The management of Iowa Valley Community School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Iowa Valley Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Iowa Valley Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Iowa Valley Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses and other deficiencies we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control described in Part I of the accompanying Schedule of Findings as item I-A-12 to be a material weakness.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part I of the accompanying Schedule of Findings as items I-B-12 and I-C-12 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Iowa Valley Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of noncompliance or other matters that are described in Part IV of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about Iowa Valley Community School District's operations for the year ended June 30, 2012 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Iowa Valley Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit Iowa Valley Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Iowa Valley Community School District and other parties to whom Iowa Valley Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Iowa Valley Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Oskaloosa, Iowa
November 30, 2012

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2012

Part I: Findings Related to the Basic Financial Statements:

Instances of Non-Compliance:

No matters were reported.

Internal Control Deficiencies:

I-A-12 Financial Reporting – During the audit, we identified material amounts of receivables, payables and capital assets adjustments not recorded in the District’s financial statements. Adjustments were subsequently made by the District to properly include these amounts in the financial statements.

Recommendation – The District should implement procedures to ensure all receivables, payables and capital assets adjustments are identified and included in the District’s financial statements.

Response – We will double check these in the future to avoid missing any receivables, payables or capital asset transactions.

Conclusion – Response accepted.

I-B-12 Student Activities – We noted in our testing of fundraising activities in the Special Revenue, Student Activity fund that a complete fundraiser reconciliation was not prepared for two items we selected for testing. One fundraiser had no documentation of cost or number of items sold. Another fundraiser documented \$5,737 of sales but only \$5,338 was deposited in the bank.

Recommendation – The District has a requirement that all clubs participating in fundraising activities prepare a reconciliation of revenues to expenditures and other uses and determine that a proper profit margin has been attained and to account for any unused fundraiser inventory. This process protects the underlying assets and ensures that all fundraisers are proper and approved. This requirement should always be enforced by District management and consequences should be enacted for clubs not following the proper procedures. The District should investigate further the above noted shortage of fundraiser deposits.

Response – We are working on resolving this situation through education of club sponsors. We will consider the proper way to enforce this requirement. We will further research the above noted shortage and take necessary corrective actions.

Conclusion – Response accepted.

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2012

Part I: Findings Related to the Basic Financial Statements (continued):

Internal Control Deficiencies (continued):

- I-C-12 Deferred Meal Revenues – Receipts from students and District employees for future purchases of meals or snacks from the Proprietary Fund, School Nutrition are recorded as deferred revenues. As funds are used, the District adjusts the proper amounts from deferred to earned revenues. However, the District does not have a control in place to reconcile the actual balances in personal accounts to the amount recorded in the general ledger. The balance in all meal accounts at June 30, 2012 was \$3,261 compared to \$5,641 reported by the District.

Recommendation – The District should implement controls to ensure that the District's general ledger records reconcile with actual amounts recorded as meal deposits. The District should investigate the difference of \$2,380 and make the proper adjustments.

Response – We will investigate the above difference and make the proper adjustments. We will implement the proper controls to ensure that the proper reconciliation procedures are developed.

Conclusion – Response accepted.

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2012

Part II: Other Findings Related to Statutory Reporting:

- II-A-12 Certified Budget – Expenditures for the year ended June 30, 2012, exceeded the amount budgeted in the other expenditures function.

Recommendation – The budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.

Response – The decision to refund the outstanding general obligation bonds was made too late to allow for a budget amendment. We will amend our budget before expenditures exceed the budget in the future.

Conclusion – Response accepted.

- II-B-12 Questionable Expenditures – No expenditures that we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

- II-C-12 Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

- II-D-12 Business Transactions – Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Mark Swift, Board Member Owner of Brown's True Value Hardware	School supplies	\$8,856

In accordance with Chapter 279.7A of the Code of Iowa, the transaction appears to represent a conflict of interest since the cumulative amount was greater than \$2,500 for the fiscal year.

Recommendation – The District should contact legal counsel for advice toward the best resolution of this situation.

Response – These types of supplies are hard to purchase in Marengo due to the limited number of vendors and would be more expensive to purchase elsewhere. We will look into this situation in the future.

Conclusion – Response accepted.

- II-E-12 Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.

- II-F-12 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2012

Part II: Other Findings Related to Statutory Reporting (continued):

II-G-12 Certified Enrollment – We noted an overclaim of one student in the basic enrollment data certified to the Department of Education.

Recommendation – The District should contact the Department of Education and Department of Management regarding this error.

Response – We will take the necessary actions regarding this error.

Conclusion – Response accepted.

II-H-12 Supplementary Weighting – No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

II-I-12 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.

II-J-12 Certified Annual Report – The Certified Annual Report was certified to the Iowa Department of Education timely and we noted no significant deficiencies in the amounts reported, except as noted in item I-A-12.

II-K-12 Categorical Funding – No instances were noted of categorical funding being used to supplant rather than supplement other funds.

II-L-12 Statewide Sales and Services Tax – No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2012, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$	594,253
Revenues:			
Sales tax revenues	\$	508,538	
Interest		<u>1,015</u>	509,553
Expenditures/transfers out:			
School infrastructure construction		285,009	
Equipment		<u>70,112</u>	<u>355,121</u>
Ending balance		\$	<u><u>748,685</u></u>

For the year ended June 30, 2012, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2012

Part II: Other Findings Related to Statutory Reporting (continued):

- II-M-12 Financial Condition – At June 30, 2012, the District’s business-type activities had deficit unrestricted net assets of \$28,460, and the District’s Enterprise Fund, Preschool had unrestricted deficit net assets of \$36,920.

Recommendation – The District should investigate alternatives to eliminate these deficits and return the business-type activities and enterprise funds to sound conditions and insure that individual student activity accounts are monitored more closely.

Response – We will investigate alternatives to eliminate these deficits.

Conclusion – Response accepted.

- II-N-12 Early Retirement – We noted in our testing of early retirement transactions that overpayments were made to two different employees totaling \$7,119.

Recommendation – These overpayments were made on the lump-sum portion of the early retirement benefit. The District should contact the affected former employees to request repayment of the \$7,119. If repayment is not obtained, the District should consult legal counsel to determine if any further actions are possible.

Response – We will investigate this situation and take the proper actions.

Conclusion – Response accepted.